HARDWARE & LUMBER LIMITED

and its subsidiaries

Six Months Ended June 30, 2004

Unaudited Group Results

CEO'S STATEMENT

The financial results far the three month period ended 30 June 2004 showed net profits of $33.3 million compared with $8.3 million for the comparative period in 2003. Sales and net profits for 2004 include $839 million and $16 million for Rapid & Sheffield and Agro-Grarce respectively whereas the comparative amounts for 2003 do not include these companies. The comparative amounts far 2003 are Sales of $645 million and $12 million respectively.

The operating expenses for the second quarter include one-off merger related expenses of $7.9 million.

The retail division continued to produce excellent results with a sales increase of 36 % over 2003. This is despite the general shortage of lumber and plywood and the relatively sluggish activity In the construction sector.

The wholesale division exceeded the prior year sales by 52 % and our margins have improved by four (4%) percentage points.

The agriculture division has had excellent increases in profit compared to the prior year.

We sold the janitorial business of Office Services Ltd in June. This will not have a material impact on the results of the group.

During the first half of the year we spent $62 million on capital expenditure and this primarily related to payment for software and improvements to warehouse and offices.

We completed the physical merger of the hardware side of the business at the end of the first quarter. The consolidation of the distribution center has gone well so far and we are realizing the merger synergies.

John Mahfood
Chief Executive Officer

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	3-MONTHS TO June 2004 $'000	3-MONTHS TO June 2003 $'000	6-MONTHS TO June 2004 $'000	RESTATED* 6-MONTHS TO June 2003 $'000
Sales	2	1,255,657	446,629	2,560,918	879,955
Cost of Sales		914,904	315,701	1,885,908	631,952
Gross Profit		340,753	130,928	675,010	248,003
Other Operating Income		5,346	2,118	18,242	3,291
		346,099	133,046	693,252	251,294
Operating Expenses		282,700	118,419	586,022	222,725
Operating Profit		63,399	14,627	107,230	28,569
Finance Costs-net		14,407	3,922	25,353	7,272
Profit before Taxation		48,992	10,705	81,877	21,297
Taxation		15,670	2,402	26,632	4,168
Net Profit		33,322	8,303	55,245	17,129
Number of 50c Stock Units Issued ('000)	3	67,368	40,000	67,368	40,000

Earnings per Stock Unit	$0.49	$0.21	$0.82	$0.43

*"Restated far comparative purposes"

UNAUDITED CONSOLIDATED BALANCE SHEET

	Note	JUNE 2004 $'000	DECEMBER 2003 $'000	JUNE 2003 $'000
Net Assets Employed				
Non-Current Assets				
Property plant and equipment		366,480	337,028	157,945
Goodwill		5,182	6,259	0
Group companies		6,044	42,499	4,162
Deferred tax assets	1(b)	6,951	6,951	3,434
Retirement plan asset	1(c)	135,391	135,391	5,988
Current Assets		1,303,191	1,262,541	627,150
Current Liabilities		(978,395)	(1,007,488)	(422,277)
Net Current Assets		324,796	255,053	184,873
		844,844	783,181	356,402
Financed by:				
Share capital	3	33,684	33,684	20,000
Share premium		244,881	244,881	25,934
Capital reserve		100,699	100,699	83,424
Retained Earnings		281,332	226,087	196,758
		660,596	605,351	326,116

Non-Current Liabilities			
Long term debt	43,929	37,510	128
Finance loan obligations	4,510	4,510	765
Deferred taxation	24,453	24,453	19,576
Retirement plan obligations	111,357	11,357	9,817
	844,844	783,181	356,402

Approved for Issue by the Board of Directors on July 26, 2004 and signed on its behalf by:

Douglas R. Orane
Chairman

John Mahfood
Director

UNAUDITED GROUP STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Note	JUNE 2004 $'000	DECEMBER 2003 $'000	JUNE 2003 $'000
Equity at the beginning of period		605,351	313,507	313,507
Issue of capital	3	0	232,631	0
Net profit		55,245	44,583	17,129
Dividends		0	(4,520)	(4,520)
Net revaluation surplus		0	19,150	0
Equity at end of period		660,596	605,351	326,116

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOW

	JUNE 2004 $'000	DECEMBER 2003 $'000	JUNE 2003 $'000
CASH RESOURCES WERE PROVIDED BY/(USED IN):			
Operating Activities			
Net Profit	55,245	44,583	17,129
Items not affecting cash resources	28,523	121,847	10,855
	83,767	166,430	27,984
Changes in non-cash working capital components	(119,987)	(153,573)	(53,843)
Funds (used In)/provided by operating activities	(36,107)	12,857	(25,859)
Financing Activities			
Funds provided by/(used in) in Financing Activities	6,419	8,223	(10,026)
Funds (used in) Investing Activities	(57,260)	(77,320)	(2,460)
(Decrease) in cash resources	(86,949)	(56,240)	(38,345)
Net cash balance at beginning of period	(63,557)	(7,317)	(7,317)
NET CASH BALANCE AT END OF PERIOD	(150,506)	(63,557)	(45,662)
Represented by:			
Cash at Bank and in hand	75,530	15,094	2,688
Overdraft	(226,036)	(78,651)	(48,350)
	(150,506)	(63,557)	(45,662)

UNAUDITED FINANCIAL INFORMATION BY BUSINESS SEGMENT

The Group is organised into three main business segments:

(a) Wholesale hardware products

(b) Retail household and home improvement products
(c) Agricultural products and equipment

Other operations of the group include the provision of construction related equipment and janitorial services.

The Group's operations are located entirely in Jamaica

6 months to 30 June 2004

	Wholesale Hardware $'000	Retail Household $'000	Agricultural $'000	Others $'000	Eliminations $'000	Consolidated $'000
External operating revenue	435,580	1,655,642	422,751	46,945		2,560,918
Operating revenue from other segments	342,564	120,989	1,479		(465,032)	
Operating revenue	778,144	1,776,631	424,230	46,945	(465,032)	2,560,918
Profit from operations	11,038	77,535	21,102	3,351	(5,796)	107,230
Finance cost, net						(25,353)
Profit before tax						81,877
Taxation						(26,632)
Net Profit						55,245

6 months to 30 June 2003

	Wholesale Hardware $'000	Retail Household $'000	Agricultural $'000	Others $'000	Eliminations $'000	Consolidated $'000
External operating revenue	289,207	429,483	114,981	46,284		879,955
Operating revenue from other segments	108,378	1,920	3,151		(113,449)	
Operating revenue	397,585	431,403	118,132	46,284	(113,449)	879,955
Profit from operations	2,303	33,803	1,971	2,416	(11,924)	28,569
Finance cost, net						(7,272)
Profit before tax						21,297
Taxation						(4,168)

Net Profit	17,129

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment.

The Group adopted International Financial Reporting Standards as at 1 January 2003.

The accounting policies followed in these interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2003.

These financial statements are presented in Jamaican dollars.

(b) Income Taxes

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax is provided on temporary differences arising investments in subsidiaries, except where the timing of reversal of the temporary difference can be controlled and it is probable the difference will not reverse in the forseeable future. Deferred tax assets are recognised for temporary differences which will result in deductable amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates

Current and deferred tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same tax authority and when the legal right of offset exists.

Current and deferred taxes are recognised as income tax expense or benefit in the profit and loss account.

(c) Employee Benefits

(i) Pension obligations

The company and its subsidiaries operate a number of defined benefit plans, the assets of which are generally held in separate trustee administered funds. The pension plans are funded by payments from employees and by the relevant companies, taking into account the recommendations of qualified actuaries.

The asset or liability in respect of defined benefit plans is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service cost. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available In the form of refunds from the plan or reduction In future contributions to the plan. The pension costs are assessed using the Projected Unit Credit Method. Under this method, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service, lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plans every year in accordance with IAS 19. The pension obligation is measured at the present value of the estImated future cash flows wing estimated discount rates based on market yields on government securities which have terms to maturity approximating the terms of the related liability.

A portion of actuarial gains and losses is recognised In the profit and loss amount if the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceeded 10 percent of the great" of the present value of the gross defined benefit obligation and the fair value of plan assets at that date. Any excess actuarial gains or losses are recognised in the profit and loss account over the average remaining, service lives of the participating employees.

Termination benefits are payable whenever an employees employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy In exchange for these benefits, The group recognIses termination benefits when It is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits failing due more than twelve (12) months after the balance shoot date are discounted to present value.

(ii) Other post-ratlrement obligations
The group also provides supplementary health, life Insurance and other benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining In service up to retirement age and the completion of a minimum service period. The expected costs of them benefits are accrued over the period of employment, using an mounting methodology similar to that for defined benefit pension plans. These obligations we valued annually by qualified actuaries.

2. Acquisition of Subsidiaries

On 1 October 2003 the group acquired 100% of the share capital of Agro-Grace Limited (Agro) and Rapid & Sheffield Limited (Rapid). The acquired businesses contributed combined revenues of $710,015,000 and operating profits of $47,370,000 to the group for the period from 1 October 2003 to 31 December 2003, and revenues of $1,663,000,000 and operating profits of 36,336,000 for the period January to June 2004. Their combined assets and liabilities at 31 December 2003 were $1,033,012,000 and $792,908,000, respectively, and details of net assets acquired and goodwill are as follows.

	2003 $'000
Purchase consideration -	
Fair value of shares issued	232,631
Fair value of net assets acquired	(233,962)
Negative goodwill	(1,331)
	========

The fair value of the not assets approximated to the book value of the net assets acquired, and no restructuring provisions were established.

3. Share Capital

	2003 $'000	2002 $'000
Authorised-		
70,000,000 (2002 - 50,000,000) Ordinary shares of 50 cents each	35,000	25,000
	========	========
Issued and fully paid-		
67,368,000 (2002 - 40,000,000) Ordinary stock		

units of 50 cents each	33,684	20,000
	========	========

At a Board of Directors meeting hold on 27 August 2003, the following ordinary resolutions were passed:

(a) The authorised share capital was, increased to $35,000,000 by the creation of 20,000,000 ordinary shares of 50 cents each. Such new shares to rank pari passu in all respects with the existing ordinary shares in the company.

(b) The issue of 27,368,000 ordinary shares to Grace, Kennedy and Company Limited (Grace), such shares being treated as wholly paid up in exchange for the transfer by Grace to the company of the entire issued share capital of Rapid and Agro. The effective date of this transaction was 1 October 2003.